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SUBJECT: RWANDA ECONOMIC REVIEW

Classified By: Ambassador W. Stuart Symington for reasons 1.4 (B),(D)

11. (U) This issue of the Rwanda Economic Review Covers:

- Methane pilot project begins feeding power to national power grid
- International Finance Corporation (IFC) invests \$4 million in Kivu Methane Gas Project
- Millicom wins tender to become Rwanda's third telecom provider
- MTN reaches one million subscribers mark
- Rwanda hosts Commonwealth East Africa International Business Forum
- Gayaha Links wins Legatum award
- Mineral exports hit record \$70 million for nine months in 2008
- Coffee exporters hope for record year in 2009
- Land reform moves forward

Rwanda Harnesses Methane from Lake Kivu

12. (U) Methane: A government funded pilot project in Gisenyi (north Lake Kivu) has successfully extracted methane gas dissolved in the lake water and used the gas to power turbines. The pilot plant is currently feeding 1.8 MW of electricity to the national grid with a target output of 5MW when fully optimized, a process that may take several months. The \$15 million project was engineered by Ludan Technologies of Israel. Lake Kivu has estimated reserves of 55 billion cubic meters of methane gas (dissolved in the water at depths below 400 feet) with an additional 250 million cubic meters generated annually from lake floor emissions. Engineers estimate these reserves could generate 700MW of electricity annually (shared between Rwanda and the Democratic Republic Congo --DRC) for the next 55 years.

13. (U) Contour Global Rwanda Project Manager told emboff that agreement has been finalized with the Government of Rwanda (GOR) for a gas extraction concession and power generation project in Kibuye (central Lake Kivu). American owned Contour Global is planning to build four 25 MW power plants using methane as fuel. The first plant is expected to be on line by the end of 2009 with the final three operational by the beginning of 2012, he said. Contour Global will invest an initial \$80 million of its own capital in the project and hopes to secure \$160-180 million in additional funding from OPIC to complete the project.

14. (U) IFC: IFC VP Thierry Tanoh confirmed in a press release that IFC will invest \$4 million in a venture capital consortium that will develop a second 100MW methane-fueled power project. The consortium includes local Rwanda Investment Group (RIG) and the Agha Khan Fund for

Development. IFC, the World Bank and the African Development Bank will finance the project. RIG is also developing two additional pilot projects using different methane gas extraction technologies. The two pilot projects, with a combined power output of 7.6MW, are scheduled for completion by early 2009.

¶15. (U) In November, the GOR awarded South African Industrial Development Group a tender to build a Gas to Liquid (GTL) facility using methane as a source material. The plant when operational will produce 2,800 barrels daily of synthetic diesel fuel, roughly equivalent to Rwanda's current petroleum imports.

Rwanda Picks New Telecom Provider

¶16. (U) Millicom: The Rwanda Utilities Regulatory Agency (RURA) announced that the Rwandan cabinet has approved Q(RURA) announced that the Rwandan cabinet has approved Luxembourg based Millicom International Cellular S.A. as the preferred bidder to be the country's third telecom provider. Millicom agreed to pay \$60 million for the 15 year fixed and mobile phone license. Telecel Globe and Zain were named as first and second reserve bidders. Millicom, which has existing operations in Tanzania and the DRC, will partner with Marathon Corporation. Marathon Corporation, an Israeli owned company with close ties to the GOR, is also a joint venture partner with Tri-star (Rwanda Patriotic Front controlled investment company) in the Rwanda Enterprise Investment Company (REIC). Rwanda currently has two telecom operators, MTN Rwandacell and Rwandatel.

¶17. (C) Telecel Globe Business Development Director raised concerns about a lack of transparency in the bidding process. The Telecel director claimed invitations to bidders to attend the opening of the "sealed" financial bids were sent out six hours after the bids had already been opened in closed session, even though the bid regulations indicated that the bidders should be present for the opening of the bids. He asserted this provided "insiders" the opportunity to "adjust" their bids without public scrutiny. He added; "what rendered things suspect was the fact the Millicom offer was only marginally higher than Telecel's - usually there is more of a difference" (Note: Zain the second reserve bidder offered \$45 million -- more than 30 percent below the winning bid. End note).

¶18. (U) MTN: Rwanda's largest telecom provider, MTN Rwandacell, has quadrupled its customer base from 250,000 in 2006 to over to one million subscribers in 2008. The telecom provider, jointly owned by the GOR and MTN, has invested over \$145 million over the last ten years to build and upgrade infrastructure including the construction of 200 antennas throughout the country. MTN Rwanda's CEO told reporters the company's mobile and internet services now reach 80 percent of the country.

Conferences

¶19. (U) Rwanda hosted the first Commonwealth East African International Business Forum in Kigali October 29-30. Over 500 participants attended the forum including 250 delegates from 23 countries outside of East Africa. The forum sought to position the East African Community (EAC) as a single market and engage the private sector on trade and investment opportunities in the region. The forum also addressed eliminating barriers to trade within the community, the need to accelerate infrastructure development through public private partnerships (PPP), improving access to finance and the minimizing the impact of the global financial crisis on member states. Private sector representatives supported the policy direction taken by regional governments, but noted that implementation was often inconsistent with stated policy.

¶10. (U) Gahaya Links: On November 19th, Rwanda hosted the second annual Legatum Pioneers of Prosperity Africa awards in Kigali. Legatum, a privately owned international investment group, in collaboration with the OTF Group and the S.E. Ven Fund (Social Equity Venture Fund) recognizes and rewards business leaders in Africa who serve as a role model to the continent's aspiring entrepreneurs. The awards panel selected six prize winners out of 1,400 submissions from ten African countries including Botswana, Cameroon, Cote d'Ivoire, Ghana, Kenya, Namibia, Nigeria, Rwanda, South Africa and Uganda. The top prize of \$100,000 was awarded to Nigerian company Superflux International. The five runners-up were awarded \$50,000 and included Gahaya Links (Rwanda), AAR Health (Kenya), Safi Cleaning (Uganda), Africa Polysack (Uganda) and Integr8 Group (South Africa). Legatum Managing Director and panel judge Alan McCormick told the QManaging Director and panel judge Alan McCormick told the audience that each of the winning entrepreneurs demonstrated the level of excellence, leadership and vision required to grow their business regionally and internationally.

Exports

¶11. (U) Minerals: Rwanda's mineral exports for the first nine months of 2008 have reached \$70 million compared to \$70.6 million for all of 2007. Dr. Michael Biryabarema, Director General of Rwanda Geology and Mining Authority told reporters he was optimistic that exports for the year would exceed \$100 million. Mineral exports include Tin, Wolfram, Tungsten, Columbium and Coltan. While the Rwandan mining sector remains largely artisinal, the recent privatization of mining concessions has brought in new investment and expertise that has contributed to increased mine

productivity. Local production of Wolfram has increased from 250 tons in 2005 to over 1,000 tons in 2007. South African owned Eurotrade International acquired a Wolfram concession near Kigali 18 months ago and has since increased yields from 1.5 tons per month to over 35 tons monthly. Employment at the mine during the same period increased from 135 workers to over 850. Managing Director Martin Kahanowitz attributed the gains to improved mine management, safety and training. He told econoff that he expects mine production will increase to 2,000 tons within five years as the company introduces new equipment and technology.

¶12. (U) Domestic mineral production represents approximately 25 percent of total exports, the balance being minerals trans-shipped and re-exported from the DRC. In 2007, Rwanda re-exported 1,700 tons of Wolfram, 1,000 tons of Coltan and 3,100 tons of Tin, approximately \$52 million of total mineral exports. Eighty percent of the world's known Coltan reserves are located in the DRC.

¶13. (U) Coffee: Coffee exporters are predicting \$75 million in exports next year compared to \$46 million so far in 2008 and \$30 million in 2007. Emmanuel Hareliman, Deputy Director General Caferwa (leading coffee exporter) told the local press that extensive marketing, improved farm management, introduction of improved coffee seedlings and expanded use of fertilizers will increase coffee yields to 31,000 tons in 2009 compared to 23,000 tons in 2008. Rwanda will also benefit from increasing exports of higher value "fully washed" coffee. Rwanda with support from USAID hopes to increase the percent of fully washed coffee from 15 percent currently to 85 percent of total coffee exports by 2012.

Land Reform

¶14. (U) In a historical first, 56 farmers in Musanze (north Rwanda) received land titles to their property as part of the governments National Land Tenure Reform Program. State Minister in charge of Natural Resources, Vincent Karega told

reporters the program will encourage agricultural development by enabling farmers to obtain bank finance using their land as collateral. Until now banks have been reluctant to lend to farmers without clear property titles. The land reform project includes air surveys, mapping, land demarcation and investigation and recording of traditional word of mouth records of land ownership. Provincial Governor Boniface Rucagu noted that the project would also help resolve long-standing property ownership disputes.

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